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C O N F I D E N T I A L SECTION 01 OF 02 ABIDJAN 001347

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TAGS: [EAGR](#) [ECON](#) [AID](#) [PREL](#) [IV](#)
SUBJECT: COCOA STRIKE ENDS WITH HARDLY A WHIMPER,
UNDERSCORING OPAQUE NATURE OF THE SECTOR

REF: ABIDJAN 1167

Classified By: Econ Chief EMassinga, Reasons 1.4 (b,d)

11. (C) Summary. The strike in the cocoa sector has come to a quiet, almost stealthy end although most of the putative demands made by strikers remain unaddressed. The harvest is proceeding, and a good crop is expected. According to industry observers, the government was essentially able to buy off the strikers, and cooperative executives never truly intended to push for reforms to benefit farmers. Prices paid to farmers remain very low, reflecting effective governmental control over the ostensibly farmer-run bodies that set the prices. The industry effectively remains a cash cow for the government and some of its supporters. End Summary.

12. (SBU) In early November, the press reported that cocoa cooperatives had lifted their strike order after several weeks (reftel). After the government's announcement that it would 'loan' the striking cooperatives \$20 million, things quieted down considerably, even though the negotiators had yet to work out the main issue, i.e., the cocoa purchasing board's (BCC) offer of CFA 400/kg, which has effectively stood firm. Since the early November reports of the suspension of the strike and the granting of the loan to the cooperatives, the 2006-2007 cocoa campaign has proceeded normally. Industry experts are predicting a good harvest, and world prices have remained stable despite brief supply disruption in the world's largest producer (approximately 40%). There have been no reports in the press on the grievances of farmers or cooperatives, with the exception of back page articles detailing squabbling among cooperatives over use of the loan along with more recent complaints that the money has not, in fact, been received. But for all intents and purposes, the strike is over even though the issues that motivated farmers to action are unaddressed.

13. (C) What happened? Multinational cocoa purchasing company executives and senior representatives of NGOs working with cocoa farmers are unsurprised at the turn of events (strictly protect). Local Cargill and ADM representatives, as well as senior local representatives from the USG-funded NGOs, Sustainable Tree Crops Program and Winrock International, all commented to Econ Chief in separate conversations that the principal aim of the main striking cooperative, ANAPROCI, had always been to receive governmental assistance to develop its internal organizational machinery (hiring cadres, purchasing equipment, office supplies, etc), and that demands related to the price of cocoa paid to farmers showed up in later demands circulated closer to the eve of the strike announcement. These industry and NGO sources confirm privately that once the private interests of the cooperatives' chiefs were

addressed, the main impetus behind the strike faded. Additionally, each opined that the loan was in effect a bribe, and was never expected to be repaid.

¶4. (SBU) In describing the turn of events to Econ Chief, sources indicated the structure of the industry, subsequent to its liberalization in 1998-99, makes it vulnerable to governmental manipulation of its revenues. Cocoa generates over \$2.0 billion annually in exports, second (for the first time ever according to the WB and IMF) only to oil and gas, with projected revenues of \$3.0 billion for the first time in 2006. From the world price for cocoa of approximately 800 CFA/kg (492 CFA = USD 1), farmers receive a little over 200 CFA/kg before they have to pay for inputs such as fungicides and fertilizers. This contrasts sharply with the approximately 650 CFA/kg Ghanaian farmers receive, a discrepancy that accounts for the significant level of illegal smuggling of cocoa across the border (reftel).

¶5. (C) The '98 liberalization of the cocoa industry was designed, in theory, to benefit producers, but has failed in that aim. The liberalization plan created a brace of cocoa industry governing bodies that are all ostensibly controlled by farmers through elections: The Authority for the Regulation of Coffee and Cocoa (ARCC) that controls the issuance of export licenses, The Cocoa and Coffee Exchange (BCC) that sets the field price middlemen are to pay cooperatives, and The Cocoa and Coffee Financial Regulator (FRC), the administrator of the Cocoa and Coffee Development Fund (FDPCC) and the Prudential Reserve, which invests in rural electrification, roads, etc. and smoothes out price fluctuations, respectively. Given the supposed governance of these structures, the recent

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strike's demand to raise the field price (400 CFA/kg for 2006-2007) as well as reduce the fees (totaling 52 CFA/kg) paid to support these organizations and funds made, in theory, no sense. However, industry and NGO executives unanimously note that the government wields effective control over the BCC and other cocoa bodies (vice formally controls them, as erroneously reported in reftel).

¶6. (SBU) Cooperatives justified their demand for reducing fees associated with the cocoa governing bodies by recalling long-standing complaints that money destined for the Prudential Reserve and FDPCC are not being paid by the government, despite that farmers are obligated to pay these fees immediately upon sale of their product to middlemen. Additionally, the interaction between the BCC, the government and middlemen is particularly suspect: middlemen (who are reportedly close to government officials) benefit enormously by the BCC's decision to keep prices paid in the field low thus keeping their margins fat when they sell to multinationals, who are in turn barred from contracting with farmers and cooperatives directly. Cooperatives play their role in squeezing farmers; of the 400 CFA/kg they get from middlemen, they pay the farmers themselves 250 to perhaps 300 CFA/kg. After fees, producers are left with not much more than 200 CFA/kg. Between 200 and 300 CFA/kg (up to 40% of the world price) in the form of taxes and registration fees paid by exporters (multinationals are exempted 94 CFA/kg) go directly to government coffers.

¶6. (C) Comment. The cocoa sector is a cash cow for the government and has played that role for many years, and it appears that little if anything has changed. The lack of transparency in the cocoa industry has been a long-standing concern for the international community; the IMF was unable to audit the sector in 2003 due to the lack of cooperation on the part of the government. As mentioned to Econ Chief by World Bank representatives and others (septel), a similar lack of transparency plagues the oil and gas sector. In light of the continuing squeeze on official government revenues affecting the Ministry of Finance (septel), it

appears likely the President's faction controlling these
quasi-state bodies will not give up the benefits they provide
easily. End Comment.
Hooks